



### Quarterly Update

- Sentiment across the chemical distribution industry is trending more positively as demand trends stabilize and a bounce-back in volume is on the horizon as the market enters 2024. This positive industry outlook is contributing to optimism in the M&A market, particularly in the lower middle market.
- The chemical distribution industry remains highly fragmented, providing opportunity for buyers to pursue acquisition growth strategies. There is also a strong volume of corporate divestitures in the industry, which will feed appetite for acquisitions.
- Inventory levels across the chemicals industry have increased 30% since Q2 2020. After a period of significant inflation and overstocking in 2022, inventory stabilization has characterized 2023.
- As inventory continues to stabilize in 2024 and pricing moderates, we anticipate customer order patterns to better align with underlying end market demand.
- Stronger alignment between customer orders and end market demand improves visibility into business performance and outlook, which will bring confidence to buyers to pursue and close transactions.

### Recent Industrials Transactions



For more information and insights, please contact us:



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## Recent Selected Chemical Distribution Transactions

### Shrieve Chemical Acquires Gilbert & Jones



Target



Buyer

Sponsor

- November 3, 2023** - Shrieve Chemical Company, a portfolio company of Gemspring Capital and a leading, value-added chemicals distributor, has announced the acquisition of Gilbert & Jones.
- Gilbert & Jones is a premiere distributor of industrial chemicals throughout North America. It serves a range of industries and applications, including aerospace, water treatment, fasteners, automotive, and electronics.

### Brenntag Acquires OWI Chlor Alkali



Target



Buyer

- November 2, 2023** – Brenntag (ETR: BNR), the global market leader in chemicals and ingredients distribution, announced the acquisition of OWI Chlor Alkali.
- OWI Chlor Alkali is headquartered in Northbrook, Illinois, and was first established in 2016 as distribution business. The OWI Chlor Alkali product portfolio includes caustic soda, potassium hydroxide, methanol, sulfuric acid and glycols.

### Hawkins Adds Six Water Treatment Locations



Targets



Buyer

- October 30, 2023** – Hawkins, Inc. (NAS: HWKN), a leading specialty chemical and ingredients company, has completed the acquisition of Water Solutions Unlimited, Inc. and has entered into a definitive agreement to acquire the assets of The Miami Products & Chemical Company dba Sanygen.
- Water Solutions serves municipal customers in the Midwest, and Miami Products serves the commercial pool business.

### Hoosier Penn Oil Partners with Cadence Petro.



Target



Buyer



Sponsor

- October 23, 2023** - Cadence Petroleum Group continues its expansion with the acquisition of Hoosier Penn Oil Company.
- Hoosier Penn is a lubricant distributor headquartered in Indianapolis, Indiana, with additional locations in South Bend, Indiana, Jeffersonville, Indiana, and Kansas City, Missouri.

### Peak Rock Acquires Rochester Midland Corp.



Target



Buyer

- August 1, 2023** - Peak Rock Capital has acquired Rochester Midland Corporation.
- Rochester Midland is a leading supplier of specialty chemical products and value-added services across water energy, food safety, facility hygiene, and other applications. The Company works with thousands of businesses worldwide across diverse end markets including food and beverage, healthcare, packaging, and facility services.

### Apollo Finalizes Univar Deal



Target



Buyer

- August 1, 2023** - Univar Solutions Inc. and Apollo announced that Apollo Funds have completed the previously announced acquisition of the Univar.
- Univar is a global chemical and ingredients distributor and provider of value-added services. The Company will continue to operate under the Univar Solutions name and brand and maintain its global presence.

# Chemical Distribution | November 2023

## EdgePoint Public Comparable Index Constituents

### Coatings

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	LTM	3-Yr. CAGR		
Akzo Nobel N.V.	\$ 15,456	38.5%	11.2%	\$ 1,208	\$ 1,443	11.7x	10.7x	\$ 10,745	1.0%	7.9%	\$ 65.24	82.2%	
PPG Industries, Inc.	36,481	40.3%	15.0%	2,718	2,900	12.1x	12.6x	18,081	2.4%	9.6%	129.55	84.7%	
RPM International Inc.	15,050	38.6%	12.9%	949	1,063	14.4x	14.2x	7,336	5.0%	9.2%	97.06	90.4%	
The Sherwin-Williams Company	76,927	45.4%	18.2%	4,191	4,251	15.9x	18.1x	23,030	6.2%	8.6%	256.09	90.2%	
<b>Median</b>		<b>39.5%</b>	<b>14.0%</b>	<b>1,963</b>	<b>2,171</b>	<b>13.3x</b>	<b>13.4x</b>	<b>14,413</b>	<b>3.7%</b>	<b>8.9%</b>	<b>113.31</b>	<b>87.5%</b>	
<b>Mean</b>		<b>40.7%</b>	<b>14.4%</b>	<b>2,267</b>	<b>2,414</b>	<b>13.5x</b>	<b>13.9x</b>	<b>14,798</b>	<b>3.6%</b>	<b>8.8%</b>	<b>136.99</b>	<b>86.9%</b>	

### Distributors

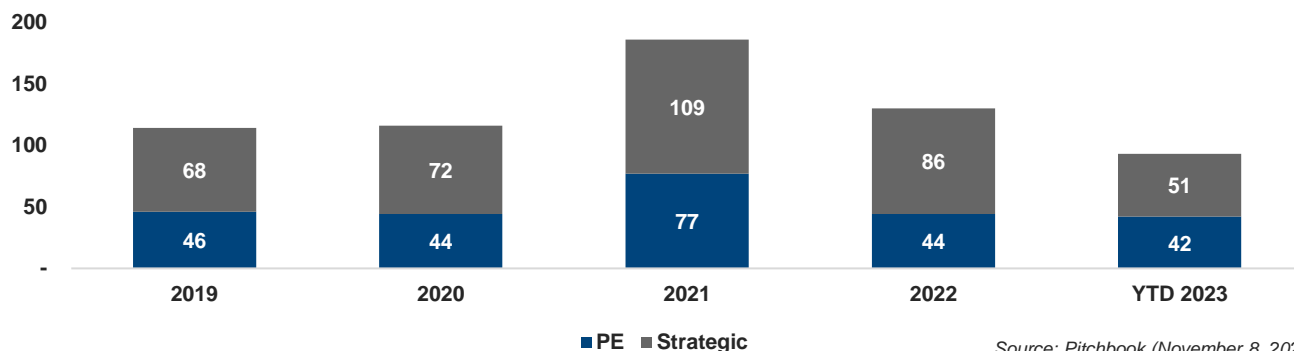
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	3-Yr. CAGR			
Brenntag SE	\$ 12,974	21.2%	7.6%	\$ 1,413	\$ 1,601	8.4x	8.1x	\$ 18,619	7.2%	14.5%	\$ 70.62	90.7%	
IMCD N.V.	8,119	25.4%	12.0%	550	556	14.2x	14.6x	4,591	12.2%	19.1%	120.40	76.8%	
<b>Median</b>		<b>23.3%</b>	<b>9.8%</b>	<b>982</b>	<b>1,078</b>	<b>11.3x</b>	<b>11.4x</b>	<b>11,605</b>	<b>9.7%</b>	<b>16.8%</b>	<b>95.51</b>	<b>83.7%</b>	
<b>Mean</b>		<b>23.3%</b>	<b>9.8%</b>	<b>982</b>	<b>1,078</b>	<b>11.3x</b>	<b>11.4x</b>	<b>11,605</b>	<b>9.7%</b>	<b>16.8%</b>	<b>95.51</b>	<b>83.7%</b>	

### Diversified

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue		Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2023E	LTM	2023E	LTM	LTM	3-Yr. CAGR			
Celanese Corporation	\$ 25,978	22.1%	15.8%	\$ 1,697	\$ 2,469	13.7x	10.5x	\$ 10,719	11.7%	24.9%	\$ 117.99	90.0%	
DuPont de Nemours, Inc.	37,334	34.7%	23.6%	2,898	2,975	12.0x	12.6x	12,274	-6.7%	-8.1%	68.41	86.9%	
Eastman Chemical Company	13,945	21.2%	16.2%	1,519	1,608	9.2x	8.7x	9,376	-14.0%	3.4%	76.13	82.6%	
LyondellBasell Industries N.V.	39,586	12.4%	11.7%	4,858	5,375	7.2x	7.4x	41,384	-22.0%	13.9%	91.25	89.4%	
<b>Median</b>		<b>21.7%</b>	<b>16.0%</b>	<b>2,298</b>	<b>2,722</b>	<b>10.6x</b>	<b>9.6x</b>	<b>11,497</b>	<b>-10.4%</b>	<b>8.6%</b>	<b>83.69</b>	<b>88.2%</b>	
<b>Mean</b>		<b>22.6%</b>	<b>16.8%</b>	<b>2,743</b>	<b>3,106</b>	<b>10.5x</b>	<b>9.8x</b>	<b>18,438</b>	<b>-7.8%</b>	<b>8.5%</b>	<b>88.45</b>	<b>87.2%</b>	

Source: S&P Capital IQ (November 8, 2023)

## Industrial Chemicals Deal Activity – Last Five Years



- EdgePoint expects healthy M&A activity in the chemicals space through the remainder of 2023 and into 2024 as there is a strong backlog of deals coming to market after a slow first three quarters of 2023.
- The normalization of the chemicals market allows for investors to forecast with greater confidence. Therefore, EdgePoint expects a significant number of PE-owned companies to come to market in 2024.
- CEOs and boards have increasingly pushed chemicals and specialty materials companies to sell non-core businesses, leading to increased corporate divestitures over the last few years.